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CENTURYTEL CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

Financial Statements

December 31, 2006

(With Independent Auditors' Report Thereon)

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/22/07

CENTURYTEL CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

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KPMG LLP
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Independent Auditors' Report

The Honorable Members of the City Council
and the Honorable Lorenz "Lo" Walker, Mayor
City of Bossier City, Louisiana:

We have audited the accompanying financial statements of the CenturyTel Center Arena Fund, a special revenue fund of the City of Bossier City, Louisiana, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the City of Bossier City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CenturyTel Center Arena Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the CenturyTel Center Arena Fund and do not purport to, and do not present fairly, the financial position of the City of Bossier City, Louisiana as of December 31, 2006 and the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CenturyTel Center Arena Fund of the City of Bossier City, Louisiana, as of December 31, 2006, and the changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 30, 2007, on our consideration of the CenturyTel Center Arena Fund of the City of Bossier City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison schedule listed in the table of contents are not a required part of the financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

May 30, 2007

CENTURYTEL CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana
Management's Discussion and Analysis – Unaudited
December 31, 2006

We offer readers of the CenturyTel Center Arena Fund of the City of Bossier City's (Arena) financial statements this narrative overview and analysis of the financial activities of the Arena for the fiscal year ended December 31, 2006.

Overview of the Financial Statements

The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the Arena's financial statements. The Arena's financial statements comprise two components: (1) fund financial statements, and (2) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Arena, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Arena is composed of a single governmental fund.

Financial Analysis of the Arena Fund

Governmental Fund

The focus of the Arena's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Arena's financing requirements. In particular, an unreserved fund balance may serve as a useful measure of the Arena's net resources available for spending at the end of the fiscal year.

The Arena has a fund surplus of \$149,853, which consists of \$56,576 reserved for prepaid items and a surplus of \$93,277 unreserved. Of the Arena's assets totaling \$2,408,054, 80% is in cash. The fund balance reflected an increase of \$199,670 in 2006. The increase in fund balance can be attributed to an increase in events over the previous fiscal year.

	<u>2006</u>	<u>2005</u>
Assets	\$ 2,408,054	915,054
Liabilities	2,258,201	964,871
Fund balance	\$ <u>149,853</u>	<u>(49,817)</u>

Change in Fund Balance

	<u>2006</u>	<u>2005</u>
Revenues	\$ 3,210,439	2,694,670
Expenditures	3,010,769	2,805,611
Net change in fund balance	\$ <u>199,670</u>	<u>(110,941)</u>

CENTURYTEL CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana
Management's Discussion and Analysis -- Unaudited
December 31, 2006

Budgetary Highlights

The budget policy of the City of Bossier City complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA-R.S. 39:1301 et seq.).

The original budget for the Arena was adopted on November 29, 2005. There were no amendments made in 2006.

Facility overhead actual exceeded budget by \$172,635 due to higher than anticipated utilities and incentive fee costs due to increased operations during the fiscal year.

Economic Factors and Next Year's Budgets and Rates

When the budget for FY 2007 was prepared, the only economic factor considered was an expected increase in utility rates.

Requests for Information

This financial report is designed to provide a general overview of the Arena's finances for all those with an interest in the Arena's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Director of Finance of the City of Bossier City, P.O. Box 5337, Bossier City, LA 71171, or by calling (318) 741-8525.

CENTURYTEL CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

Balance Sheet
December 31, 2006

Assets:

Cash	\$ 1,933,387
Accounts receivable, net	418,091
Prepaid items	<u>56,576</u>
Total assets	<u>\$ 2,408,054</u>

Liabilities:

Accounts payable	\$ 764,877
Deferred revenue	415,415
Deposits	<u>1,077,909</u>
Total liabilities	2,258,201

Fund Balance:

Reserved for prepaid items	56,576
Unreserved – undesignated	<u>93,277</u>
Total fund balance	<u>149,853</u>
Total liabilities and fund balance	<u>\$ 2,408,054</u>

See accompanying notes to financial statements.

CENTURYTEL CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year ended December 31, 2006

Revenues:	
Direct event income	\$ 417,489
Ancillary income	1,221,592
Advertising	713,703
Luxury box income	482,240
Other income	375,415
	<hr/>
Total revenues	3,210,439
<hr/>	
Expenditures – current – culture and recreation:	
Executive	213,638
Finance	144,537
Operations	1,211,588
Marketing	186,798
Box office	103,622
Facility overhead	1,150,586
	<hr/>
Total expenditures	3,010,769
	<hr/>
Net change in fund balance	199,670
Fund balance, beginning of year	(49,817)
	<hr/>
Fund balance, end of year	\$ 149,853
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See accompanying notes to financial statements.

CENTURYTEL CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

Notes to Financial Statements

December 31, 2006

(1) Summary of Significant Accounting Policies

The CenturyTel Center Arena Fund of the City of Bossier City (the Arena) is a separate accounting entity of the City of Bossier City (the City). The fund was established to account for the operations of the 14,000-seat multipurpose arena constructed by the City. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues, and expenditures. The accounts of the Arena are reported as a Special Revenue Fund within the City's financial statements. The accompanying financial statements present only the CenturyTel Center Arena Fund and are not intended to present fairly the financial position of the City of Bossier City, Louisiana, and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

(a) Basis of Presentation – Fund Accounting

Governmental fund financial statements are provided for the Arena. The Arena consists of only one governmental fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Arena considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Rental income for luxury box suites and events and advertising income are susceptible to accrual and are recognized when earned or when the underlying transaction occurs. Ancillary income consists of revenues from concessions, merchandise, and other sales. Ancillary revenue is recognized at the time of sale. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred and has matured.

The operations of the Arena are incorporated into one special revenue fund. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through this fund.

All expenditures incurred in the operation of the Arena are accounted for in this fund, except capital assets and debt. All items of capital assets used by the Arena are recorded in the financial statements of the City. Bonds issued to fund the construction of the Arena are accounted for in the government wide financial statements of the City.

Transfers are periodically received from the City to cover any revenue shortfalls. These transfers are made on an as needed basis.

(b) Accounts Receivable

Accounts receivable consists of amounts due from luxury box rentals, advertisers, and SMG Food and Beverage, LLC (see note 3). Accounts receivable are presented net of any allowance. The allowance at December 31, 2006 was zero, as all accounts were deemed collectible.

CENTURYTEL CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

Notes to Financial Statements

December 31, 2006

(c) *Deferred Revenue*

The balance of deferred revenue represents advances received by the Arena on rentals of luxury box suites and advertising agreements. Income is recognized over the term of the rental agreement when earned.

(d) *Deposits*

The balance of deposits represents advance ticket sales for events to be held at a future date. Income is recognized when the event is held. If an event is cancelled, this amount is subject to refund.

(2) *Cash*

All cash deposits of the Arena are held by area financial institutions. At December 31, 2006, the carrying amount of the Arena's deposits was \$1,933,387 and the bank balance was \$1,827,436. The difference is due to outstanding checks and deposits in transit at December 31, 2006. The entire bank balance was either insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the pledging bank in the Arena's name at December 31, 2006.

(3) *Related-Party Transactions*

Management Fee

The City has contracted with Leisure Management International (LMI) to manage the operations of the Arena through December 31, 2006, with additional renewal periods. Management fees are \$150,000 annually, payable in 12 equal installments, adjusted each year for changes in the consumer price index. For the year ended December 31, 2006, the base fee totaled \$169,853, which is included in the accompanying financial statements as facility overhead. In addition to the base fees, the City has also agreed to pay additional fees based on the performance of the operations of the Arena.

Food and Beverage

LMI has contracted with SMG Food and Beverage, LLC to provide the food and beverage concessions and catering at the Arena. For these services, SMG Food and Beverage, LLC receives 4% of the gross revenues collected in connection with the services they perform. For the year ended December 31, 2006, the Arena paid SMG Food and Beverage, LLC a fee of \$84,646 for their services. Also, at December 31, 2006, the Arena had a receivable from SMG Food and Beverage, LLC of \$273,700.

REQUIRED SUPPLEMENTARY INFORMATION

CENTURYTEL CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual

Year ended December 31, 2006
(unaudited)

	<u>Actual</u>	<u>Budget</u>	<u>Variance with budget positive (negative)</u>
Revenues:			
Direct event income	\$ 417,489	318,500	98,989
Ancillary income	1,221,592	1,082,304	139,288
Advertising	713,703	746,115	(32,412)
Luxury box income	482,240	482,702	(462)
Other income	375,415	209,493	165,922
Total revenues	<u>3,210,439</u>	<u>2,839,114</u>	<u>371,325</u>
Expenditures – current – culture and recreation:			
Executive	213,638	222,882	9,244
Finance	144,537	196,103	51,566
Operations	1,211,588	1,203,209	(8,379)
Marketing	186,798	165,420	(21,378)
Box office	103,622	109,890	6,268
Facility overhead	1,150,586	977,951	(172,635)
Total expenditures	<u>3,010,769</u>	<u>2,875,455</u>	<u>(135,314)</u>
Net change in fund balance	199,670	(36,341)	236,011
Fund balance, beginning of year	(49,817)	(49,817)	—
Fund balance, end of year	<u>\$ 149,853</u>	<u>(86,158)</u>	<u>236,011</u>

See accompanying independent auditors' report.

CENTURYTEL CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

Notes to Budgetary Comparison Schedule

December 31, 2006
(unaudited)

Budget and Budgetary Accounting

The City utilizes formal budgetary integration as a management control device for the Arena. The City adopted a budget for the Arena using the following procedures:

- (1) Prior to October 15, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) A public hearing is then conducted, after proper official journal notification, to obtain taxpayer comments.
- (3) Prior to December 15, the budget is legally enacted through passage of an ordinance.
- (4) The budget ordinance is structured such that revenues are budgeted by source, and appropriations are budgeted by department and by principal object of expenditure. The City Charter provides that expenditures may not legally exceed appropriations on a departmental basis, which is the same as the fund basis for the Arena, after considering fund surpluses or deficits. The City Council may revise or amend the budget at its discretion during legally convened sessions. Management may amend the budget only below the department level. The budget was not amended in 2006.
- (5) The basis of accounting applied to budgetary data presented is substantially consistent with the basis of accounting for the Arena. Appropriations that are not expended lapse at year-end, except appropriations for capital improvements, which do not lapse until the purpose of the appropriation has been accomplished or abandoned.

Excess of Expenditures Over Budget

Actual expenditures exceeded budgeted expenditures on a line item basis as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Negative variance</u>
Culture and recreation:			
Operating	1,203,209	1,211,588	(8,379)
Marketing	165,420	186,798	(21,378)
Facility overhead	977,951	1,150,586	(172,635)



KPMG LLP
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**Independent Auditors' Report on Internal Control Over Financial Reporting
and Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

The Honorable Lorenz "Lo" Walker, Mayor
and Members of the City Council
City of Bossier City, Louisiana:

We have audited the financial statements of the CenturyTel Center Arena Fund (the Arena), a special revenue fund of the City of Bossier City, Louisiana (the City) as of and for the year ended December 31, 2006, and have issued our report thereon dated May 30, 2007. Our report was modified to include a paragraph stating that the Arena's financials do not purport to and do not present fairly the financial position of the City. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Arena's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arena's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Arena's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Arena's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor, City Council, management, the state of Louisiana Legislative Auditor, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

May 30, 2007



KPMG LLP
Suite 1900
333 Texas Street
Shreveport, LA 71101-3692

May 30, 2007

CONFIDENTIAL

The Honorable Lorenz "Lo" Walker, Mayor
and Members of the City Council
City of Bossier City, Louisiana:

We have audited the financial statements of the CenturyTel Center Arena Fund (the Arena), a special revenue fund of the City of Bossier City, Louisiana (the City) as of and for the year ended December 31, 2006, and have issued our report thereon dated May 30, 2007, which included a paragraph stating that the Arena's financials do not purport to and do not present fairly the financial position of the City. In planning and performing our audit of the financial statements of the Arena, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arena's internal control. Accordingly, we do not express an opinion on the effectiveness of the Arena's internal control.

During our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

CROSS TRAINING

We noted through testwork performed that in certain circumstances, controls in place were not being performed due to the absence of a Director of Finance for approximately six months during 2006. We recommend that controls be implemented to train certain individuals on procedures to be performed in the absence of that position and other critical positions. Controls subject to this comment are the following: (1) vault audit that is to occur on a quarterly basis; (2) check signing control requiring dual signatures; and (3) Director of Finance's approval of the daily box office reconciliation.

Management's response – The Arena has now made all members of the accounting staff aware of the policies and procedures that are to occur even in the absence of one of the members.

CONCESSION REPORTS

We noted through testwork performed that pre-event stand sheets and post-event stand sheets were not always signed off. We recommend that the individual reconciling the cash drawer to the stand sheets should sign off on the sheet as an indication that they performed the reconciliation and that the amounts agreed.

The Honorable Lorenz "Lo" Walker, Mayor
and Members of the City Council
City of Bossier City
May 30, 2007
Page 2

Management's response – Future pre and post-event stand sheets will show the signatures recommended by the Independent Auditors. Staff members that work with the concession stands have been alerted to the issue.

ADP RECONCILIATION

We noted through testwork performed that a formal reconciliation was not prepared to reconcile the cumulative payroll register to the general ledger for salaries and wages expenditures until requested by KPMG. We recommend that a formal reconciliation be prepared to prevent a potential misstatement relating to payroll related expenditures.

Management's response – Policies are now in place to reconcile the general ledger to the ADP payroll register on a quarterly basis in conjunction with ADP's processing of quarterly payroll reports.

PERSONNEL ACTION FORMS

We noted through testwork performed that personnel action forms (PAF) are not being signed off. Out of a sample of 30 items tested, 5 had no evidence of the General Manager's approval of the PAF. It was concluded that the review was being done through discussion with various personnel; however, we recommend that the General Manager review and approve each PAF and document this with a signature.

Management's response – The Human Resources Department and the General Manager are aware of this issue and have worked together to make sure that all future PAFs are reviewed and approved by signature of the General Manager.

* * * * *

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the City's organization gained during our work to make comments and suggestions that we hope will be useful to you.

The City's responses to our comments and recommendations are documented above. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, City Council, management, the state of Louisiana Legislative Auditor, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the assistance and cooperation of all of the personnel of the City. We will be pleased to discuss these comments and recommendations with you at any time.

Very truly yours,

KPMG LLP